



# The Proposed 2003/04 Scottsdale City Budget

The Proposed 2003/04 Scottsdale City Budget is designed to meet the economic challenges confronting the city in the next budget year and to prepare Scottsdale for future challenges.

This summary is intended to provide an overview of the proposed budget, how it will affect you, the citizen, and how you can provide feedback.

Scottsdale is entering an unprecedented third year of declining city revenues. The city's financial team does not see a significant turnaround in the near future.

## SCOTTSDALE’S BUDGET FUNDS

Scottsdale collects a variety of revenues. The city legally can use some revenues only for specified purposes, and some others- like water and refuse fees - pay directly for services that the city operates as stand-alone businesses. How does the city keep track to make sure dollars are properly spent? It uses a series of fund accounts - just as a homeowner might use separate checking accounts to keep track of money used for different purposes. Taxes and other revenues flow into these funds, and the city may transfer money from one fund to another, depending on priorities or legal requirements. The following is a summary of the key funds, focusing on the General Fund. This is the core of the budget. The General Fund is the city's largest fund and includes revenues most likely to fluctuate with the economy, such as sales taxes. This fund pays for most basic city services, such as police and fire protection, parks, libraries and social services, land planning and administration.

## GENERAL FUND: WHERE THE MONEY COMES FROM

The city expects General Fund revenues, along with transfers in from other funds, to decline from \$201.2 million this year to about \$195.6 million in the 2003/04 fiscal year.

The largest single source of revenue is the 1 percent “general-purpose” city sales tax. (Two additional special sales taxes earmarked for transportation and preservation are explained under the “special funds” section.) Scottsdale expects in 2003/04 to collect about \$78.2 million from the general-purpose sales tax, down about 2 percent. This forecast for sales tax revenue marks the third consecutive year of flat or decreasing revenue, after nine consecutive years of double-digit increases.

A second source of revenue is “primary” property taxes, the portion of property taxes that supports city operations. Next year, the city expects to collect \$16.5 million, about 7 percent more. The additional property tax revenue results from a combination of new construction and increases in property values.

Two other important sources of revenue for the General Fund are state shared revenues, and license and development permit fees. Scottsdale expects to receive about \$32.3 million in state shared revenue, down about 13 percent. Revenue from licenses and permits, mainly development permit fees, is expected to decline by about 5 percent, to \$13.5 million. Continuing uncertainty in the economy is the main reason for the declines expected in these revenues.

## THE PROPOSED BUDGET:

- Is based on very conservative revenue forecasts.
- Focuses on retaining critical services to citizens next year and in the future
- Reduces General Fund expenditures by more than 4 percent
- Reduces the city's total workforce by the equivalent of 41 full-time positions and implements a wide range of cost savings, including cuts in employee training, travel and benefits.
- Maintains a significant program of long-term investment in the community.

## TWO SIGNIFICANT FACTORS COULD AFFECT THE FINAL BUDGET:

- A reduction by the Legislature in state revenue shared with cities
- Voter approval on May 20 of ballot measures requiring the city to form a municipal fire department. Staff estimates transition costs and additional operating costs for the 2003/04 budget year would range from \$6.4 million to \$10.9 million. If voters approve a municipal department, it will be up to the City Council to set service levels and approve a budget.To fund a municipal department, the city would need to use its emergency fund, cut existing programs, raise new revenues or pursue a combination of all three alternatives to assure adequate funding for the transition.

## GENERAL FUND: WHERE THE MONEY GOES

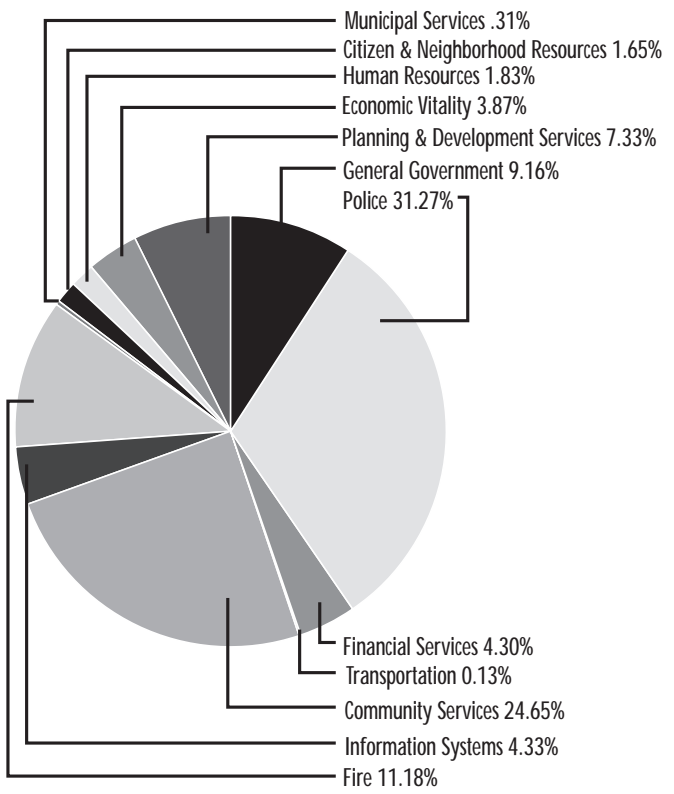
The largest share of General Fund expenditures goes to public safety. The operating budgets for the police and fire services together make up about 42 percent of the budget. About 25 percent goes to the Community Services Department for parks, human services, libraries, senior centers and other community facilities and programs. The remaining portion of the General Fund budget goes to planning, economic vitality, citizen services and neighborhood programs and general administration.

Spending from the general fund decreases more than 4 percent under the proposed budget. Expenditures, along with transfers to other funds, would drop from \$204.3 to \$195.5 million. About \$2 million in reductions comes from the elimination of 32 full-time equivalent employee positions held vacant since the city began an intensive review of new positions in 2001. (The total number of full-time equivalent positions eliminated citywide is 41. The remaining positions fall under other funds.) The city also is trimming temporary contract positions to save about \$600,000.

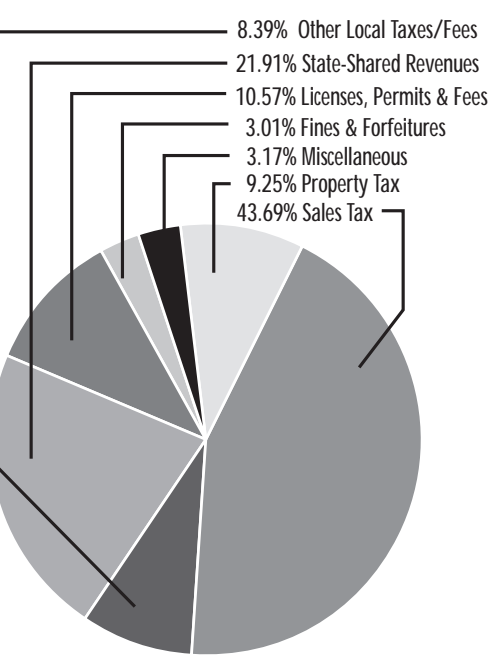
Under the proposed budget, the City Council is being asked to make key policy changes affecting General Fund expenditures. Overall, they would reduce the amount of General Fund taxes used for transportation operating costs. One change would increase times between buses on low-ridership routes. A second would use the 0.2 percent sales tax dedicated to transportation to fund a portion of operating costs associated with transportation improvements. Currently, the city's policy is to use the 0.2 percent transportation tax only to fund street construction and other capital improvements.

The budget also proposes using a portion of a \$5 million economic investment account for strategic investments in the city's economy. A portion of the account would be used to help finance investment in a new downtown art museum planned for the Loloma area.

## EXPENDITURES BY DEPARTMENT



## REVENUE SOURCES



## OTHER SIGNIFICANT GENERAL FUND CHANGES INCLUDE:

- A reduction in General Fund dollars for city investment in capital projects — public facilities and infrastructure. The amount transferred to capital projects will drop by more than 50 percent to about \$7.5 million.
- Elimination of across-the-board pay increases for employees, which, if not eliminated would cost the city about \$1 million for each 1 percent added to employee paychecks.
- Elimination and reduction of employee programs, such as performance incentives, tuition assistance and other fringe benefits. These reductions will save more than \$1.1 million.
- Creation of a Repeat Offender Program in the Police Department to better address burglaries and vehicle thefts. To staff the new program at a minimal cost of about \$40,000, the department plans to end the DARE program, reassign its four-member staff and reassign three positions from other programs. The city will continue providing School Resource Officers at schools.
- About \$1.2 million in funding for an increase in contract costs with the Rural/Metro Fire Department, primarily for union negotiated firefighter pay adjustments. The budget also includes \$300,000 to staff a new fire station located at Jomax and Pima roads, scheduled to open in fall 2003.

The draft budget continues a General Fund reserve in case of an emergency. The proposed reserve is \$20.7 million, equal to 10 percent of the city's General Fund operating costs and transportation operating costs.

## ENTERPRISE FUNDS: SCOTTSDALE’S “BUSINESSES”

Enterprise funds account for the city's water, sewer, refuse collection and airport services. They operate as stand-alone businesses and are supported by user fees, not taxpayer subsidies. The total revenue and transfers into these funds rises to \$120.9 million in 2003/04, up about 13 percent, under the proposed budget.

Much of the added revenue will come from a modest 3 percent increase in water rates needed to meet federal mandates to cut levels of arsenic and compounds formed by chlorine disinfection in drinking water. Scottsdale expects to spend more than \$100 million on new treatment facilities to meet the mandates.

The draft budget also proposes an increase of 2.5 percent in residential sewer rates to fund upgrades to wastewater treatment facilities that serve current customers.

For the second year, the city is proposing no increase in fees for refuse and recycling services.

## SPECIAL REVENUE FUNDS

Money in the General Fund can be used for many purposes. Revenues that must be used for specific purposes go to special revenue funds. The largest uses, by far, are transportation and preservation.

The proposed budget forecasts lower revenues and transfers to two special transportation funds. Revenues and transfers to the Highway User Revenue Fund, including state shared gas taxes and lottery funds, are expected to fall from \$24.6 million to \$23.3 million, about 5 percent. Revenues to the Transportation .2 Percent Sales Tax Fund are projected to fall slightly, from \$16.1 to \$16 million.

Expenditures from the two funds go for street and signal maintenance (\$10.7 million), transportation and transit planning, engineering and operations (\$9.4 million) and capital investments in streets and transportation-related facilities and equipment (\$9.8 million).

For preservation, the budget forecasts revenue from the 0.2 percent preservation sales tax to be about \$16.6 million, slightly less than the current year. These dollars are earmarked to make payments on bonds to purchase land for the McDowell Sonoran Preserve. The city already has acquired nearly 16 square miles for preservation.

## CAPITAL IMPROVEMENT PROGRAM: INVESTING IN THE COMMUNITY

A separate, key component of the annual financial plan is the five-year Capital Improvement Program for infrastructure and public facilities - including roads, water and sewer improvements, parks, buildings and information technology.

Scottsdale has budgeted \$507.6 million for capital spending in 2003/04, but that figure reflects a substantial amount for “roll-over” projects not completed in the current budget year and rebudgeted for the next. The five-year plan projects capital spending will steadily decline each year as the city completes major projects.

- The five-year program includes more than 270 projects. A small sampling includes:
- Improvements to police technology systems, including the records management system, and a new Operational Support Building that will consolidate property and evidence, crime laboratory and communications operations.
  - New fire stations at Jomax and Pima roads and in the downtown area.
  - Funding to accelerate the installation of rubberized asphalt along portions of the Pima Freeway to reduce noise.
  - Replacement of the Civic Center Senior Center.
  - A 70-acre lighted sports complex at the CAP Basin north of the Scottsdale Tournament Players Club.
  - Construction of the McDowell Mountain Ranch Park and Aquatic Center.
  - Continued McDowell Sonoran Preserve purchases and trailhead improvements.
  - Construction of a water treatment plant at Hayden Road and McDonald Drive and the extension of Chaparral Park to the north.

## HOW DOES THE BUDGET AFFECT YOU?

**Sales taxes.** The proposed budget includes no new taxes. Scottsdale's 1.4 percent sales tax rate is unchanged. The rate has three components: 1 percent supports general government services like police, fire and parks operations, 0.2 percent funds transportation needs and 0.2 percent goes to the McDowell Sonoran Preserve. Scottsdale's is among the lowest city sales tax rates in the Valley.

**Property taxes:** The combined property tax rate is expected to decline and to remain lower than previously projected for several years, mainly because the budget proposes a longer timeline to build new community facilities with voter-approved bonds. The combined property tax rate, now at \$1.15 per \$100 assessed valuation, is expected to drop several cents and remain lower for several more years. The exact impact on your property taxes depends on the assessed value of your home or business. Overall, city property taxes comprise a small portion of citizens' tax bills. For the current year, for example, city property taxes account for less than 12 percent of a typical property tax bill.

**Utility fees:** For homeowners, fees for water and sewer service will rise slightly, and refuse and recycling fees will remain the same. Overall, the average homeowner's monthly combined bill for water, sewer, refuse and recycling service is expected to rise about \$1.58 per month. Most of the increase goes to meet more stringent environmental regulations.

## HOW CAN YOU GET INVOLVED?

The City of Scottsdale welcomes your comments. There are several ways you can get involved:

- Attend City Council's public hearings during the budget cycle held in the City Hall Kiva, 3939 N. Drinkwater Blvd. All begin at 5 p.m.  
**May 6th** - First Public Hearing  
**May 19th** - Tentative Adoption  
**June 2** - Final Adoption
- Send an e-mail, call or write a message to [budget@ScottsdaleAz.gov](mailto:budget@ScottsdaleAz.gov), (480) 312-2531, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251-3922
- Contact the Communication and Public Affairs Office at (480) 312-2335
- Watch budget hearings televised live on CityCable 11. Citizens without cable service can also listen to an audio broadcast of the meeting on the city's web site at [www.ScottsdaleAz.gov](http://www.ScottsdaleAz.gov).
- More budget information is available at [www.ScottsdaleAZ.gov](http://www.ScottsdaleAZ.gov) under the “Mayor, Council and Government” link.